



Statement before the U.S. House Committee on Ways and Means

Subsidized Jobs and How They Can Fit in Welfare to
Work

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The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Reichart, Ranking Member Doggett, and other members of the committee: Thank you for the opportunity to testify today before the Subcommittee on Human Resources of the House Committee on Ways and Means. I greatly appreciate being invited to discuss subsidized jobs programs and their role in alleviating poverty.

My name is Robert Doar and I am the Morgridge Fellow in Poverty Studies at the American Enterprise Institute (AEI). Prior to joining AEI, I spent eighteen years working in government social services programs for the State and City of New York. From 2004 to 2006, I was commissioner of the New York State Office of Temporary and Disability Assistance where I was responsible for the oversight of subsidized jobs programs as well as other public assistance programs in New York State. For the seven years directly before I joined AEI, I was the commissioner of the New York City Human Resources Administration and was deeply involved in the implementation of a somewhat successful subsidized jobs program. My extensive experience with the management of subsidized jobs programs has given me considerable insight into how these programs are actually serving American workers- insight which I would like to now share.

The most important objective and key outcome for assistance programs is lasting employment for the recipient. Not only is full time employment the surest way to avoid poverty, but earnings are the most important form of income for a family. Only 3 percent of all full time workers are defined as being in poverty by our nation's official poverty measure (see Figure 1).¹ The strong emphasis that programs such as Temporary Assistance for Needy Families (TANF) place on helping applicants and recipients move into employment as rapidly as possible clearly acknowledges the fundamental role employment has in helping people out of poverty. In the years following the passage of the welfare reform act of 1996 it became apparent that the resulting increase in work opportunities and consequent earnings was the main reason child poverty and overall poverty fell during those years: more work force participation, especially by single mothers, resulted in higher earnings and a substantial decrease in poverty. As Figure 1 shows, full time employment is, and has been, the most constant remedy to economic downturns and resulting increases in the poverty rate.

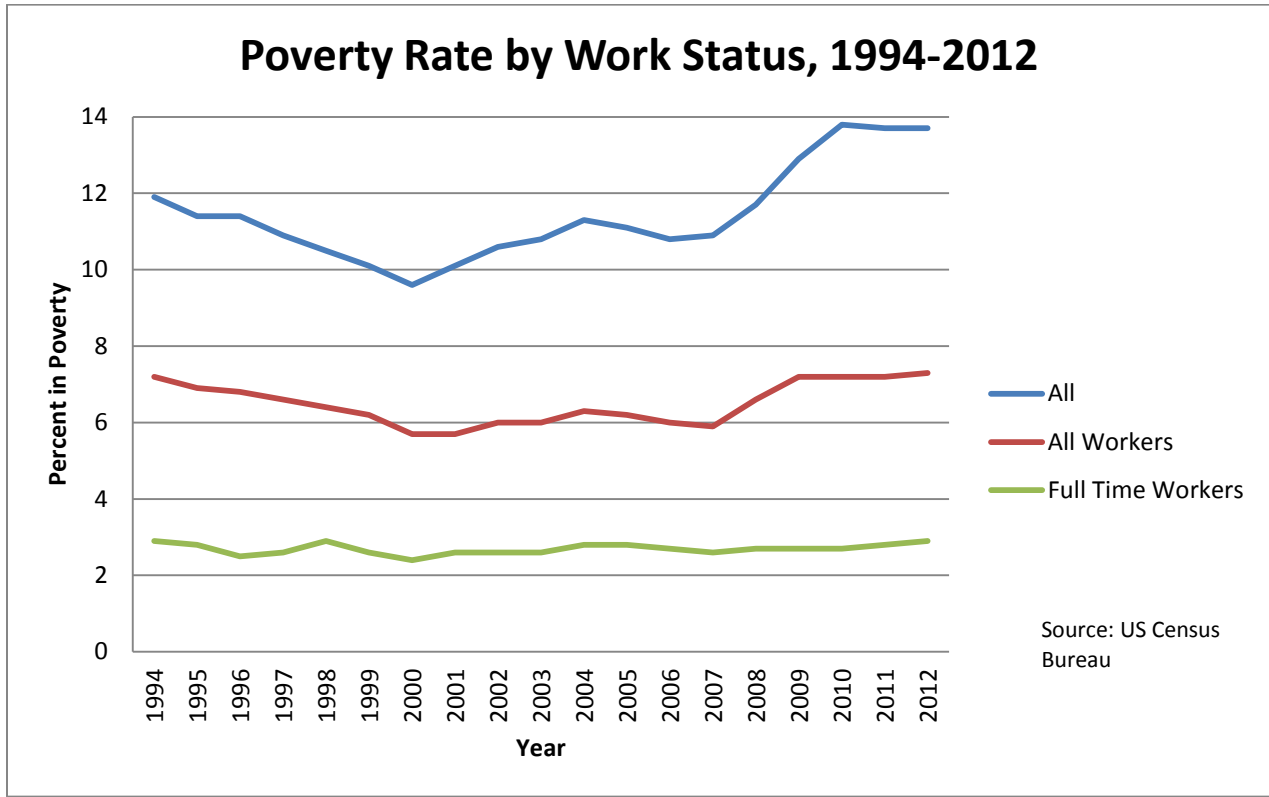
Historically, subsidized jobs programs, or transitional jobs, have been implemented with at least one of three goals: to administer welfare assistance in a work-based context, to boost employment prospects among hard-to-place individuals, and to support communities.² However, low placement rate numbers from program evaluations call into question the efficacy of transitional jobs as a long term employment solution. Dan Bloom of MDRC lays out five areas in which transitional jobs models could be improved to better meet the goal of keeping hard-to-place individuals in employment:

First, transitional jobs programs can be altered to address low placement rates; increased support at the “back end” of programs could help to keep participants in employment. Second, financial supplements could provide another way of improving placement rates by incentivizing participants to stay in

¹ “People in Poverty by Selected Characteristics: 2011 and 2012,” *US Census Bureau*. Accessed 28 July 2014, <<https://www.census.gov/hhes/www/poverty/data/incpovhlth/2012/table3.pdf>>.

² Bloom, Dan. “Transitional Jobs: Background, Program Models, and Evaluation Evidence,” *MDRC*. February 2010, <http://www.mdrc.org/sites/default/files/transitional_jobs_background_fr.pdf>.

Figure 1:

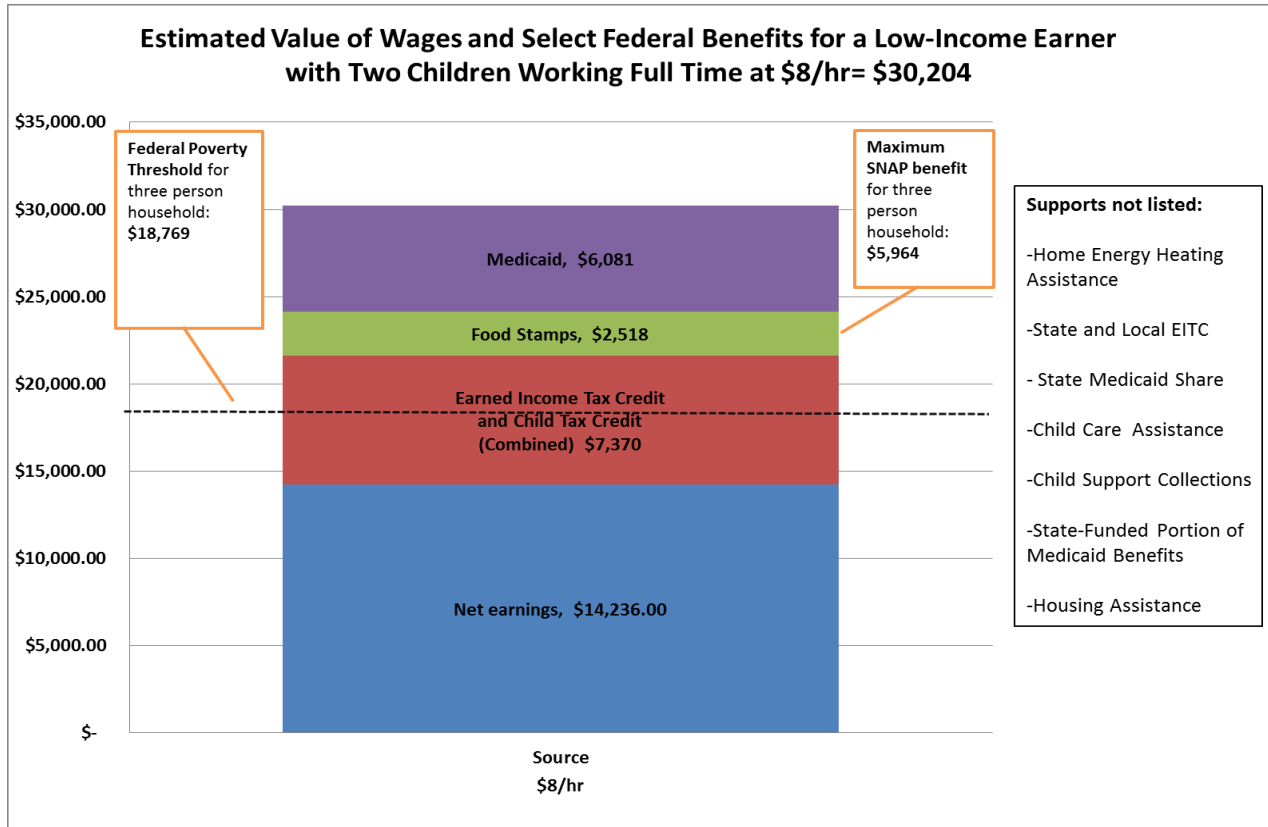


employment post-program. An emphasis on occupation training could give program participants needed skills to find and maintain work. Additionally, restructuring the model to ease the transition from the program to the real work environment—perhaps by formulating a trial period at the beginning of a permanent job placement—would improve participants’ chances of sustaining employment. Lastly, Bloom suggests a “tiered” program approach that would be more effective at serving a larger range of individuals and in which subsidized job placements could be more tailored to participants’ needs.

While employment and its consequent earnings are key to alleviating poverty, and it is crucial to support work, it is also important to remember that we already subsidize jobs. The Earned Income Tax Credit (EITC), public health insurance, Supplemental Nutrition Assistance Program (SNAP) benefits and child care assistance are the largest, but not the only, government assistance programs that can greatly increase the resources available to low income households. As the Figure 2 demonstrates, these federal programs already subsidize work and hold a critical role in relieving poverty.

It is in this context, with the recognition of existing programs that already work to shore up low wages, that we must evaluate whether subsidized or transitional jobs are an effective tool to help people in need. In New York City we ran a large — and I believe effective — subsidized jobs program, but it was only a small part of our overall effort.

Figure 2:



In New York City we worked with the Parks Department to form the Parks Opportunity Program, which created job positions lasting 6 to 9 months and consisting of four work days and one training day each week. The program was designed to serve a discreet subset of welfare recipients; we offered program entry to a population that was perhaps more motivated than a randomly selected group would have been. Participants were primarily compliant, hard-to-place clients who had been on welfare assistance for one year and were not on sanction status. Additionally, for a time, we offered subsidized jobs to clients in a shelter who agreed to procure their own housing. We also offered transitional jobs to compliant, though out-of-work, non-custodial parents whose children were on welfare assistance.

While this program worked well for some recipients, it was unclear whether participants exited the program with any increase in their probability of finding future employment. The placement rate after 30 and 90 days was around 25 percent—not a significant improvement over back to work and work first programs. We did assume the added benefit of having those jobs—park care and the maintenance of neighborhoods that had been damaged by the mortgage foreclosure crises —completed at a relatively low cost. The Parks Opportunity Program did provide important manpower the department wouldn't otherwise have had the funding to deploy.

The key lesson we took away from the Parks Department program was that while the availability of subsidized jobs was beneficial for a small portion of our caseload, the program itself was costly and not effective enough to justify more than that limited investment. Upon exiting the program, placement

rates were roughly equal to other work programs, but had incurred a higher cost. Ultimately, it was not useful in providing a dependable path to long term, sustainable employment to even the majority of program participants.

The outcomes we observed in New York City are consistent with the findings of MDRC: Transitional job programs do increase employment, but only in the short term.³ While transitional job programs give hard-to-employ individuals the opportunity to work, the positive employment effects do not tend to last longer than the program's duration.

While public-sector job placements, like the Parks Department program, may not always yield promising results, private sector placements do have a better track record of success. This may be attributed to the intrinsic qualities of private sector program participants: private firms have more ability to hire participants, and the participants themselves are typically more job-ready.

Ultimately, we need to ensure that the actions that we take in creating job opportunities end in positive results and provide paths to consistent, long-term employment. While subsidized jobs programs may produce those results for some individuals in some job sectors, they are not the panacea for Americans seeking full time employment. These programs should be given limited support, with the recognition that they serve a small subsection of the population and are only part of an overall program for unemployed individuals.

³ Ibid.